

COMMITTEE ON GOVERNMENT REFORM

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Davis, Issa Demand New Plan from Interior Secretary to Recapture Royalties from Oil Companies

Washington, DC - Government Reform Chairman Tom Davis and Subcommittee on Energy and Resources Chairman Darrell Issa today sent a letter to Interior Secretary Dirk Kempthorne, demanding that the Department formulate a new plan to get the royalties back from 1998 and 1999 deepwater leases. "The failure to recoup \$2 billion rightfully owed to the American people is impermissible. Please explain your reasoning behind this grievous error and provide us with an amended plan to retrieve this money," wrote Davis and Issa.

Critical price thresholds that suspended deepwater royalty relief in times of high oil and gas prices were included in leases signed in 1996 and 1997 but were left out of those executed in 1998 and 1999.

Last week, Minerals Management Service Director Johnnie Burton made public statements that the Department is making no attempt to renegotiate the leases to recapture any of the foregone royalties—it is only negotiating to include price thresholds for future production. An eight-month Subcommittee investigation into the matter determined that the flawed leases were the result of gross mismanagement and a failure of accountability on the part of the Department of the Interior and MMS. An Interior Inspector General investigation confirmed that the omission was covered up in 2000 before production had begun from the 1998 and 1999 leases, compounding the value of royalties that are not being collected.

In the letter, Davis and Issa also expressed their displeasure with information supplied by Ms. Burton in response to Chairman Davis' request for an inventory of the leases in question and a list of the companies that are currently renegotiating with the Department.

The information provided by Ms. Burton to the Committee was incomplete, and the documents reveal that only those companies that gave MMS permission to be identified were included with the documents. The Chairmen strongly challenged the decision and the rationale to withhold the information, demanding that the Secretary supply the complete list of companies, including those that were withheld from the Committee.

Citing testimony from oil company executives before the Subcommittee on Energy and Resources in June 2006, the letter stresses that some companies expressed their willingness to surrender royalties owed to the government on the problematic leases. However, Davis and Issa made clear their disapproval regarding the lack of cooperation from the Interior Department. "It appears that the Interior Department does not intend to recapture *any* of the \$2 billion owed on *any* of the leases," the Chairmen stressed. "The Interior Department must now make whole the American people by collecting the \$2 billion already lost."

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